

NEWS RELEASE

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CHICAGO ENGINEERING FIRM OWNER PLEADS GUILTY TO FRAUD

IDOT among State, Municipal Contracts Overcharged Estimated \$5.5 Million

Springfield, Illinois -- Rodger A. Heaton, United States Attorney for the Central District of Illinois, announced that the principal owner of Shah Engineering, Incorporated, Manu Shah, entered pleas of guilty today to overcharging the Illinois Department of Transportation and other state and municipal entities from 1997 through 2004. Shah, age 70, of Oak Brook, Illinois, is the sole shareholder, owner and operator of Shah Engineering, Chicago.

A federal investigation of Shah Engineering's business practices was initiated by the Illinois Department of Transportation following a department audit in January 2004. Throughout the investigation, IDOT's team of auditors has worked extensively and cooperatively with agents from the Federal Bureau of Investigation and the U.S. Department of Transportation Office of Inspector General. The case is being prosecuted by Assistant U.S. Attorney Patrick D. Hansen.

U.S. Attorney Heaton stated, "Contractors who pad government contracts to reap big profits for themselves essentially steal taxpayer money and corrupt the marketplace. The successful prosecution of this fraud scheme demonstrates a commitment by the U.S. Attorney's Office to work with state and local investigators to hold accountable those who perform services for the state of Illinois."

During today's hearing before U.S. Magistrate Judge Byron Cudmore, Manu Shah pled guilty to two counts of mail fraud and one charge of submitting false documents to IDOT auditors as charged in an information. The corporation has agreed to plead guilty to one count of mail fraud as charged at a hearing scheduled on February 27, 2007, at 4:00 p.m.

Pursuant to the plea agreement, there has been no final determination of the amounts overbilled which will have to be repaid as restitution; however, Shah is required to deposit \$2.5 million with the U.S. Clerk of the Court within 15 days of the date the plea agreement was filed, January 23, 2007. Thereafter, Shah is required to deposit \$1 million every 30 days until \$5.5 million is held in escrow to be used to pay restitution to the agencies defrauded and / or a fine. At sentencing, the government has agreed to recommend to the court that Shah be sentenced to 41 months imprisonment, and that Shah's firm be fined \$500,000 and placed on probation. Sentencing for Mr. Shah is scheduled for June 4, 2007, before U.S. District Judge Jeanne E. Scott.

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The information and plea agreements reflect that Shah Engineering Inc. was a primary contractor or subcontractor on various projects for engineering and architectural services for IDOT and other state government agencies as well as for the city of Chicago from 1997 through 2005. These entities include the following: Illinois State Tollway Authority, Metra, Chicago Department of Transportation, City of Chicago, Chicago Transit Authority, Chicago Department of Aviation, Chicago Department of Construction and Permits, Chicago Park District, Chicago Department of Sewers, Chicago Department of Water and the Metropolitan Water Reclamation District. Shah Engineering also acted as a subcontractor on additional jobs financed or directed by these state and municipal agencies.

IDOT and the other entities used several billing procedures in its contracts for services during the period of the fraud scheme, beginning in 1997 through 2004. These billing procedures included 'lump sum' and 'variable sum' contracts as well as 'cost plus' and 'direct labor multiplier' contracts. Each involved a different way of calculating the relationship of costs for direct labor and overhead expense.

During court proceedings and in court documents, Manu Shah admitted overcharging IDOT and other entities when submitting contract invoices in several ways:

- ▶ Direct billing fraud in which Shah Engineering misrepresented the amount of work its employees performed on certain contracts, by both overstating the number of hours actually worked by individuals, and by "shifting" hours worked by individuals from less profitable projects to more profitable contracts or to overhead categories;
- ▶ Overhead fraud in which Shah Engineering materially misrepresented its indirect expenses attributable to overhead, using false and fraudulent entries, invoices, calculations and documentation. These artificially inflated overhead expenses were filed with IDOT as "Statements of Experience and Financial Condition." The SEFC form was used to calculate the rate IDOT and other contractors paid Shah Engineering for overhead in "cost plus" and "direct labor multiplier" contracts and others. Using the inflated numbers, Shah Engineering was able to negotiate higher reimbursement rates than would have been paid otherwise;
- ▶ Overstatement of employees to misrepresent that certain part-time, contract or independent workers on certain projects were employees of Shah Engineering to fraudulently claim overhead expenses or enhance the billing with a "multiplier" that would be allowed only for legitimate full-time and full-benefit employees of the contractor.

Manu Shah also admitted to falsifying records for an audit conducted by IDOT in 2003 and 2004. Shah was asked to supply documentation for certain direct labor and overhead expenses claimed for IDOT and other contracts in prior years. Shah presented auditors with false and fraudulent documents including an invoice purportedly from "Associated Engineering and Technology," which had been altered to read "office rent" (an overhead expense) which was actually for the delivery of other services.